

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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AMEMBASSY OTTAWA

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E.O. 11652: NA

TAGS: ETRD, EEC, CA

SUBJECT: EC/CANADA ECONOMIC AGREEMENT

REF: EC BRUSSELS 2759

1. SUMMARY: THE EC COMMISSION AND CANADA HELD ANOTHER ROUND OF EXPLORATORY DISCUSSIONS APRIL 7-8, AND SEEM TO BE MAKING PROGRESS TOWARD A "FRAMEWORK AGREEMENT" PROVIDING FOR ECONOMIC COOPERATION IN VARIOUS AREAS BETWEEN THE TWO PARTNERS. IT NOW APPEARS LIKELY THAT THE COMMISSION WILL BE ABLE TO REPORT TO THE EC COUNCIL OF MINISTERS ON ITS DISCUSSIONS WITH CANADA BEFORE THE SUMMER HOLIDAYS. IT WILL PROBABLY ASK THE COUNCIL FOR A NEGOTIATING MANDATE. END SUMMARY.

2. ACCORDING TO BOTH THE COMMISSION (LOERKE) AND THE CANADIAN AMBASSADOR TO THE EC, LANGLEY, THE APRIL 7-8 TALKS IN BRUSSELS BETWEEN THE COMMISSION AND A CANADIAN TEAM HEADED BY MICHEL DUPUY OF EXTERNAL AFFAIRS, WENT WELL. THESE TALKS WERE THE SECOND

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IN THE SERIES OF EXPLORATORY DISCUSSIONS REGARDING

THE "CONTRACTUAL LINK" WHICH HAS TAKEN PLACE SINCE THE COUNCIL INSTRUCTD THE COMMISSION, LAST OCTOBER, TO EXPLORE FURTHER THE POSSIBILITIES FOR A NEW RELATIONSHIP BETWEEN THE COMMUNITY AND CANADA. THE FIRST TALKS TOOK PLACE EARLIER THIS YEAR IN OTTAWA; THERE WILL BE A THIRD SET OF TALKS; THE COMMISSION NOW EXPECTS THAT ON THE BASIS OF THSE TALKS THEY WILL BE ABLE TO GO BACK TO THE COUNCIL BEFORE THE SUMMER HOLIDAYS WITH SOME RECOMMENDATIONS AND PROBABLY A REQUEST FOR A FORMAL NEGOTIATING MANDAYE.

3. BOTH OUR SOURCES SAY THE TALKS HAVE PROCEEDED FROM THE OPTION IN THE COMMISSION'S COMMUNICATION OF LAST SEPTEMBER WHICH SUGGESTS A BROAD ECONOMIC COOPERATION AGREEMENT AS AN APPROPRIATE GENERAL FORM FOR A CONTRACTUAL LINK BETWEEN TWO PARTIES. THE TWO SIDES NOW ARE DESCRIBING THE POTENTIAL AGREEMENT AS A "FRAMEWORK AGREEMENT", MEANING THAT THE AGREEMENT WOULD NOT SPEEL OUT IN DETAIL HOW COOPERATION SHOULD DEVELOP, BUT MIGHT INDICATE "FIELDS" IN WHICH COOPERATION COULD DEVELOP. LANGLEY STRESSES THAT THIS APPROACH "POSES THE LEAST PROBLEMS FOR ALL CONCERNED." HE SPECIFICALLY REFERS TO THE US RESERVATIONS ABOUT THE EARLIER TRADE-AGREEMENT APPROACH, AND SAYS OUR FEARS SHOULD BE SET AT REST.

4. LOERKE SAYS THAT THE COMMISSION POSITION, WITH WHICH THE CANADIANS ARE IN AGREEMENT, IS THAT WHEN THEY COME TO FORMUALTE THE AGREEMENT IT WILL BE OF A NON-DISCRIMINATORY MFN NATURE. THE BROAD ELEMENTS OF THE AGREEMENT WOULD SEEM TO BE A STATEMENT REGARDING TRADE WHICH WOULD BE OF AN MFN SORT; PLUS INDICATIONS OF HOW THE TWO PARTIES MIGHT COOPERATE ECONOMICALLY OVER A BROAD RANGE OF FIELDS; AND FINALLY FORMAL RECOGNITION OF THE EXISTING CONSULTATION PROCEDURES. THE AGREEMENT WOULD NOT IMPOSE ANY ACTUAL NEW OBLIGATIONS ON EITHER PARTY.

5. WITH RESPECT TO SUBSTANCE, LANGLEY SAYS THE LIMITED OFFICIAL USE

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DISCUSSION HAD BEEN "IN GENERAL TERMS, WITH NO ATTEMPT TO LIST AREAS OF COOPERATION". HOWEVER, IN RESPONSE TO QUESTIONS, HE LISTS "INDUSTRIAL COOPERATION" AND "ENVIRONMENT" AS EXAMPLES OF THE FIELDS WHICH COULD BE COVERED BY THE "FRAMEWORK AGREEMENT". WE TOLD LANGLEY WE COULD UNDERSTAND THE INCLUSION OF ENVIRONMENT (IT WAS ALSO A FIELD COVERED BY A US-EC COOPERATION AGREEMENT), BUT HAD

DIFFICULTY IN UNDERSTANDING WHAT COULD BE DONE IN THE INDUSTRIAL FIELD BETWEEN TWO MARKET ECONOMIES WHERE DECISIONS WERE IN THE HANDS OF THE PRIVATE SECTOR. LANGLEY'S RESPONSE WAS THAT THE CANADIAN SITUATION WAS DIFFERENT FROM THE UNITED STATES. CANADIAN COMPANIES ARE NOT ACTIVE INTERNATIONALLY OUTSIDE NORTH AMERICA AND THEREFORE THERE IS A NEED FOR CANADIAN GOVERNMENT LEADERSHIP AND ENCOURAGEMENT. THE WORD LANGLEY USED TO DESCRIBE WHAT WOULD BE DONE UNDER THE INDUSTRIAL COOPERATION RUBRIC WAS "FACILITATION". HE CITED AS AN EXAMPLE OF THIS ACTIVITY THE FOREST PRODUCTS MISSION WHICH WENT TO CANADA FROM THE EC SOME MONTHS AGO. LANGLEY ADDED THAT A SECOND EXAMPLE WAS A NEW MISSION BEING ORGANIZED IN THE FIELD OF ENERGY, PARTICULARLY URANIUM.

6. IN A SEPARATE CONVERSATION, SIR CHRISTOPHER SOAMES INSISTED THAT THE TERM TO BE APPLIED TO THE NASCENT CANADIAN AGREEMENT WAS "ECONOMIC COOPERATION" NOT "INDUSTRIAL COOPERATION" WHICH APPLIED TO LDC AGREEMENTS. ON THE SUBSTANCE, HOWEVER, HE AGREED WITH LANGLEY'S DISCRPTION OF INDUSTRY-TO-INDUSTRY COOPERATION. SOAMES ADDED THAT THE EC HAD TECHNOLOGY THE CANADIANS WANTED AND THE CANADIANS HAD RAW MATERIAL THE EC WANTED.

7. LANGLEY HAS TOLD US THAT AFTER THE CANADIAN TEAM HAS RETURNED TO OTTAWA AND HAD A CHANCE TO THINK OVER THE RESULTS OF ITS TALKS IN BRUSSELS, MICHEL DUPUY OR SOMEONE ELSE INVOLVED IN THE EC-CANADA TALKS WILL GO TO WASHINGTON TO BRIEF THE USG ON THE PROGRESS OF THE TALKS. THERE MAY BE LIMITED OFFICIAL USE

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SOME TIME LAPSE BEFORE THE US BRIEFING BECAUSE THE CANADIANS WILL WANT TO THINK ABOUT WHERE THEY ARE GOING WITH THE EC BEFORE VISITING WASHINGTON. GREENWALD

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